

S U S A N

C O M B S

Texas Registration for Qualified Research and Development Sales Tax Exemption

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

This form is used to register with the Comptroller as a person engaged in qualified research in Texas and to obtain a registration number that can be used to claim an exemption from Texas sales and use tax when purchasing qualifying tangible personal property to be used in qualified research.

General Information

What Types of Items Qualify for the Qualified Research Exemption?

The purchase, lease, rental, storage or use of depreciable tangible personal property directly used in qualified research is exempt. To claim the exemption, the purchaser must include the Qualified Research Registration Number issued by the Comptroller on the Qualified Research Sales and Use Tax Exemption Certificate (Form 01-931).

Depreciable tangible personal property is tangible personal property that:

- has a useful life of more than one year; and
- is subject to depreciation under either Generally Accepted Accounting Principles (GAAP) or Section 167 or 168 of the Internal Revenue Code. For federal income tax purposes, a depreciation deduction, generally, is a reasonable allowance for the exhaustion, wear and tear and, in some cases, the obsolescence of certain business-related or income-producing property. For the purpose of the sales tax exemption, the depreciable item must be directly used in qualified research.

Examples of items that qualify for exemption include tools and machinery. Non-qualifying items include electricity and natural gas.

Qualified Research

"Qualified research" means research for which expenditures may be treated as expenses under Section 174, Internal Revenue Code. The research must be undertaken to discover information that is technological in nature, and that will be applied in developing a new or improved business component of the person undertaking the research. Substantially all of the activities of the research must be elements of a process of experimentation relating to a new or improved function, performance, reliability or quality.

Non-Qualified Research

Qualified research does not include:

- research related to style, taste, cosmetic or seasonal design factors;
- research conducted after the beginning of commercial production of the business component;
- research adapting an existing product or process to a particular customer's need;
- duplication of an existing product or process;
- surveys or studies;
- research relating to certain internal-use computer software;
- research conducted outside the United States, Puerto Rico or a U.S. possession;
- research in the social sciences, arts or humanities; or
- research funded by another person or governmental entity.

Annual Information Report Required

Persons claiming the sales tax exemption must submit an annual report that provides all information requested by the Comptroller's office as required by law, including the amount of qualified research performed in Texas, the number of employees engaged in research and development in Texas and other data regarding sales tax and research expenditures. Reports are due March 31 each year and will cover research activities conducted in the prior calendar year.

Failure to file the annual information report may result in revocation of the Qualified Research Registration Number.

Franchise Tax Research and Development Activities Credit

The law also provides for a research and development activities credit against the franchise tax. A person claiming the sales tax exemption cannot claim the franchise tax credit for the same period.

Additional Information

Mail the completed application to: Comptroller of Public Accounts
111 E. 17th St.
Austin, TX 78774-0100

For more information, visit our Research and Development website at www.window.state.tx.us/taxinfo/qualified_research. You can also contact us online at <https://www.window.state.tx.us/taxhelp/> or by phone at 1-800-252-5555.

Federal Privacy Act: Disclosure of your Social Security number is required and authorized under law, for the purpose of tax administration and identification of any individual affected by applicable law. 42 U.S.C. §405(c)(2)(C)(i); Tex. Govt. Code §§403.011 and 403.078. Release of information on this form in response to a public information request will be governed by the Public Information Act, Chapter 552, Government Code, and applicable federal law.

You have certain rights under Chapters 552 and 559, Government Code, to review, request and correct information we have on file about you. Contact us at the address or numbers listed on this form.

Texas Registration for Qualified Research and Development Sales Tax Exemption

Entity Information

If you are a sole proprietor, start on Item 10.

1. Business Organization Type

- | | | |
|---|--|--|
| <input type="checkbox"/> For-Profit Corporation (CT, CF) | <input type="checkbox"/> General Partnership (PB, PI) | <input type="checkbox"/> Business Trust (TF) |
| <input type="checkbox"/> Nonprofit Corporation (CN, CM) | <input type="checkbox"/> Professional Association (AP, AF) | <input type="checkbox"/> Trust (TR) <small>Submit a copy of the trust agreement with this application.</small> |
| <input type="checkbox"/> Limited Liability Company (CL, CI) | <input type="checkbox"/> Business Association (AB, AC) | <input type="checkbox"/> Real Estate Investment Trust (TH, TI) |
| <input type="checkbox"/> Limited Partnership (PL, PF) | <input type="checkbox"/> Joint Venture (PV, PW) | <input type="checkbox"/> Joint Stock Company (ST, SF) |
| <input type="checkbox"/> Professional Corporation (CP, CU) | <input type="checkbox"/> Holding Company (HF) | <input type="checkbox"/> Estate (ES) |
| <input type="checkbox"/> Other (explain) _____ | | |

2. Legal name of corporation, partnership, limited liability company, association or other legal entity

3. Federal Employer Identification Number (FEIN) _____ **(assigned by the Internal Revenue Service for reporting federal income taxes)**

4. ☐ Check here if you DO NOT have an FEIN.

3 _____

5. List any current or past 11-digit Texas Taxpayer Number for reporting any taxes or fees to the Texas Comptroller of Public Accounts.....

6. Have you ever received a Texas vendor or payee number (Texas Identification Number/TIN)?..... ☐ YES ☐ NO **If "YES," enter number....**

7. Enter the home state or country where this entity was formed and the formation date

State/country _____ Month _____ Day _____ Year _____

Enter the home state registration/file number

File number _____

Non-Texas entities: enter the file number if registered with the Texas Secretary of State

File number _____

8. If the business is a corporation, has it been involved in a merger within the last seven years?..... ☐ YES ☐ NO **If "YES," attach a detailed explanation.**

9. List all general partners, officers or managing members (Attach additional sheets, if necessary.)

Name _____ Phone (area code and number) _____

Home address (street number and name) _____ Suite/Apt. # _____

City _____ State/province _____ ZIP code _____

Social Security number _____ or FEIN _____ County (or country, if outside the U.S.) _____

Position held: ☐ Officer/Director ☐ General Partner ☐ Managing Member ☐ Other _____

Name _____ Phone (area code and number) _____

Home address (street number and name) _____ Suite/Apt. # _____

City _____ State/province _____ ZIP code _____

Social Security number _____ or FEIN _____ County (or country, if outside the U.S.) _____

Position held: ☐ Officer/Director ☐ General Partner ☐ Managing Member ☐ Other _____

Sole Proprietors

If you are a sole proprietor, start here. (If you are not a sole proprietor, skip to Item 15, on the next page.)

10. Legal name of sole proprietor (first, middle initial, last)

11. Social Security number (SSN)..... _____ ☐ Check this box if you DO NOT have a Social Security number (SSN).

12. List any current or past 11-digit Texas Taxpayer Number for reporting any taxes or fees to the Texas Comptroller of Public Accounts.....

13. Have you ever received a Texas vendor or payee number (Texas Identification Number/TIN)?..... ☐ YES ☐ NO **If "YES," enter number....**

14. Federal Employer Identification Number (FEIN), if you have one, assigned by the Internal Revenue Service for reporting federal income taxes.

Texas Registration for Qualified Research and Development Sales Tax Exemption (cont.)

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Legal name (same as Item 2 OR Item 10)

For Comptroller Use Only

Contact Information

All registrants continue here.

Provide complete information for individual or party responsible for making decisions regarding address changes and banking changes and who is responsible for overall account management and account security.

15. Contact person

Name

Phone (area code and number)

Email address

16. Provide the complete mailing address including suite, apartment or personal mailbox number. Indicate whether the address is on a street, avenue, parkway, drive, etc., and whether there is a directional indicator (e.g., North Lamar Blvd.).

Street number and name, P.O. Box or rural route and box number

Suite/Apt. #

City

State/province

ZIP code

County (or country, if outside the U.S.)

17. Business website address(es), if applicable

Additional Required Information

18. Effective date of registration (The date you intend to begin making tax-exempt purchases using the Texas Qualified Research and Development Registration Number. You may select a retroactive date provided you did not claim the franchise tax credit during the period. The effective date cannot precede Jan. 1, 2014, or be four years prior to the date your registration is received.)

Month Day Year

19. The next series of questions is required information for reporting to the Texas Legislature in order to evaluate the effect of the exemption provided in Texas in Texas Tax Code Section 151.3182.

- If a question does not apply, enter "N/A."
- If your company was not engaged in qualified research in the previous year, please enter "does not apply."
- **Do not leave any item blank.** Incomplete responses will delay the receipt of your registration number.

Complete the items below based on the prior calendar year. (For example, if you are registering in 2014, compile the data from 2013.)

a. Total amount of all purchases in Texas that qualify for exemption under Texas Tax Code Section 151.3182 (For purchases before 2014, estimate the amount of all purchases in Texas during 2013 that would have qualified for exemption if the law had been in effect for that period.)

\$

b. Total of all qualified research expenses in Texas

\$

c. Number of full-time employees engaged in qualified research in Texas

d. Number of part-time employees engaged in qualified research in Texas

e. Payroll expenses for all employees included in Items 19c and 19d

\$

Signatures

20. Check each box to acknowledge your understanding.

By signing and submitting this form

- ☐ I (We) elect to use the sales and use tax exemption under Tax Code Section 151.3182.
- ☐ I (We) will not claim a Research and Development Activities Credit on a franchise tax report for the same period during which I (we) use the sales and use tax exemption under Tax Code Section 151.3182.
- ☐ I (We) agree to file any information report required by the Comptroller related to this exemption.
- ☐ I (We) declare that the information in this document and any attachments is true and correct to the best of my (our) knowledge and belief.

Date of signature(s)

Month Day Year

Type or print name and title of sole owner, partner or officer

Driver license number/state

sign here

Sole owner, partner or officer

Type or print name and title of sole owner, partner or officer

Driver license number/state

sign here

Sole owner, partner or officer

Type or print name and title of sole owner, partner or officer

Driver license number/state

sign here

Sole owner, partner or officer